



Natural gas next probe/LAO says we may squeak by this summer

Upcoming natural gas hearings

The State Assembly will begin a series on hearings on the state's natural gas supply starting next week.

The hearings will examine the run-up in gas prices that have resulted in high utility bills over the past few months. The price of natural gas at the California border is currently about five times what it costs in other states.

Although gas prices are expected to drop with the warmer weather, two Assembly subcommittees -- a new one on natural gas and the existing oversight subcommittee -- will hold hearings to examine the cause of the price increases and ways to avoid future price spikes.

Although natural gas prices are primarily controlled by the Federal Energy Regulatory Commission, the state can help keep prices down by making sure that there are sufficient pipelines into the state and that stored supplies remain ample, an Assembly source stated.

In addition, the subcommittees will be examining charges that some suppliers of natural gas may have manipulated the market to cause a rise in California prices.

Power refunds ordered

The Federal Energy Regulatory Commission ordered two big power suppliers to refund money to California's grid operator, saying they manipulated electricity supplies last spring to make more money. The two companies, Williams Energy Marketing & Trading Co., a unit of Williams Cos., Tulsa, Okla., and AES Southland Inc., a unit of AES Corp. of Arlington, Va., were given 20 days to pay the California Independent System Operator \$10.8 million or "show cause" why the order should be thrown out. It was the first market-manipulation refund ordered by the FERC since California deregulated its electricity market nearly three years ago.

On a related matter, generators have until March 23 to appeal an order by federal regulators to refund \$69 million in January power charges to the state. The Federal Energy Regulatory Commission required suppliers to justify prices exceeding \$150 per megawatt hour. It determined last week that some sales were priced too high, even taking into account high natural gas prices, air quality control costs and maintenance.

Speaker Bob Hertzberg recently likened the \$69 million refund akin to having your car stolen and then being

LAO calls Energy Commission summer forecast optimistic but says we could squeak by

The Legislative Analyst's office has concluded that the state has a chance to squeak through the summer months without rolling blackouts during times of peak usage. Still, Legislative Analyst Liz Hill has the summer safety margin much tighter than those predicted by the California Energy Commission.

Hill's report came at the request of the Subcommittee on Electrical Energy Oversight chaired by Assemblymember Darrell Steinberg. The committee asked for the report after reviewing figures for this summer provided by the Energy Commission, Independent System Operator and the Davis administration.

The Analyst's report agreed with the Energy Commission's estimates of peak summer time usage, but said the commission was optimistic in predictions of how much new power would come on line and on the success of conservation efforts already proposed by the Governor or pending in the Legislature.

In fact, the report notes that in a hot summer, one that would come along only once in 10 years, the state could be more than 500 megawatts short of what it needs to meet peak load. However, those peak load figures including a 7 percent reserve to help balance the system. If that reserve is reduced, as it was for many days this winter, blackouts can be avoided.

Steve Larson, chairman of the Energy Commission, said he stood by the Commission's original numbers, but noted that the Legislature needed to approve pending conservation programs, especially SB 5X by Senator Byron Sher.

"Everyday you delay is megawatts that will not be available in the summer," said Larson.

More than 30 bills related to conservation have been introduced in the special legislative session.

informed by the police that they have recovered your hubcaps.

On a related matter, attorneys for three generators and the ISO will return to federal court on Monday, March 19, when a judge is expected to decide whether power suppliers can be forced to sell to the grid.

New committee to probe power generators

State Sens. John Burton and Joe Dunn announce formation of a Senate committee will investigate whether power generators illegally manipulated California's electricity market to drive up prices over the past year. If the panel finds wrongdoing, the state attorney general should sue for refunds, Burton said.

The committee will ask wholesalers' executives to testify, and subpoena them if they refuse, said Burton.

Generators say they will cooperate, but Jan Smutny-Jones of the Independent Energy Producers Association says if the probe turns into a "witch hunt," the state will discourage needed power plant construction.

Legislature acts on numerous energy fronts

The Senate Rules Committee voted unanimously Wednesday to confirm Gov. Gray Davis' appointment of Geoffrey Brown of San Francisco to the PUC. That appointment gave Davis a majority on the five-member board. The full Senate must still confirm Brown.

Assemblymembers Fred Keeley and Hannah-Beth Jackson held a press conference Wednesday with the California Public Interest Research Group to endorse a four-bill package that focuses on energy efficiency, conservation and renewable energy generation.

Keeley said California uses less energy per person than most states in the country, thanks in large part to efforts in the '70s and '80s, and added that this decade's energy crisis should produce the same results.

The Assembly Appropriations Committee passed a measure by Assemblymember Dennis Cardoza that broadens the definition of looting during an emergency to include looting during blackouts. It also would require private and public electricity providers to warn law enforcement agencies before blackouts.

The Legislature is in the process of considering dozens of other bills to encourage energy conservation, increase alternative power and streamline power plant siting.

Bush ties carbon dioxide decision to energy costs

President Bush said today he backed off his campaign promise to regulate carbon dioxide emissions because he fears limits on carbon dioxide emissions from power plants would increase electricity prices. "I was responding to realities and the reality is our nation has a real problem when it comes to energy," Bush said.

Democrats and environmentalists expressed alarm at the prospect that the U.S. will make no effort to reduce the amount of carbon dioxide, widely believed by the scientific community to be a primary cause of global warming, released into the atmosphere.

Also Wednesday, the Federal Energy Regulatory Commission (FERC) said it will make several changes in oversight to expand the West's power supply, including speeding approval of natural gas pipeline projects and letting major power users who cut consumption resell the electricity they save. FERC also said it will urge hydroelectric plant operators to examine how they can more fully use their available water resources by adding or upgrading turbines or making other improvements.

In related news, the U.S. Senate defeated an amendment to a bankruptcy bill that would have required PG&E and Edison to repay their debts in full should the two utilities declare bankruptcy.

The amended divided California's two Democratic senators, Sen. Feinstein opposing it while Sen. Boxer supported it, and triggered worries by California's governor and its utilities that it would derail efforts to negotiate a way out of the state's electricity mess.

On other energy fronts, U.S. Rep. Bob Filner, D-San Diego, unveiled legislation that would require unspecified rebates for consumers by limiting energy wholesalers to cost-based rates -- the cost of producing home heating oil, natural gas or electricity plus a reasonable profit -- and making those limitations retroactive to last year.

And Rep. Mary Bono has introduced a bill in Congress that would offer tax incentives to landfills that capture methane gas for the production of electricity.

"We must continue to look at ways to produce more energy in this time of need," said Bono, R-Palm Springs. "Our current energy producers must be given every incentive possible to increase production without useless red tape and regulations that limit output."

PUC will act on layoff request today

The PUC will meet Thursday to consider whether to bar PG&E and Edison from laying off about 3,000 workers. The utilities say it could help them cut costs and ease their \$14 billion debt. A PUC administrative law judge says the layoffs could lengthen response times to customer outages.

The PUC will also discuss restructuring the interruptible customer program. The program gives big electricity users a discounted rate in return for shutting down their power when the state is short of electricity. After January's rolling blackouts, the PUC said PG&E and Edison could no longer fine interruptible customers for not complying.

Officials added that PUC guidelines expected Wednesday on whether Edison, PG&E or their customers will begin paying off the \$3.7 billion in taxpayer money committed to buying power on their behalf will likely be delayed.

Utility parent companies were down a little on Wall Street. Edison International's stock fell .92 cents a share to close at \$13.96; Pacific Gas and Electric Corp. stock closed at \$13.10, dropping \$1.14 a share.

Conservation rebates

Customers of three major California utilities will get rebates from the state if they cut their power use by 20 percent this summer, Gov. Gray Davis said Tuesday.

Davis said the conservation incentives for SCE, PG&E and SDG&E customers are needed to avoid rolling blackouts this summer, when the electricity supply is expected to be even tighter.

Davis said it could save up to 2,200 megawatts -- enough to power roughly 2.2 million households -- and save the state \$1.3 billion.